

**DIRECT TESTIMONY OF  
JESSE MONTGOMERY  
IN  
DOCKET NO. 2017-281-E**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND  
OCCUPATION.**

**A.** My name is Jesse Montgomery. I am the President of Development for National Renewable Energy Corporation (“NARENCO”). My business address is 227-B Southside Drive, Charlotte, NC 28210.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

**A.** I am providing testimony on behalf of the NARENCO Projects, in this Docket.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

**A.** I am testifying to explain the importance of long-term contracts to NARENCO’s business and financing models, and to demonstrate why Duke’s current offer of maximum five-year PPAs does not provide NARENCO with reasonable access to capital to finance the construction of its QF solar projects in South Carolina..

**Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND**

**A.** I hold a B.A. in Economics from Davison College. I am also a Chartered Financial Analyst (“CFA”) Charterholder.

1           **Q.     DESCRIBE YOUR BUSINESS EXPERIENCE, AS IS RELATED TO THE**  
2                   **SOLAR INDUSTRY.**

3           **A.**    I have worked in the renewable energy industry for 9 years. I have been President  
4                   of Development for NARENCO for the past three years. NARENCO is an  
5                   employee owned solar development, engineering procurement & construction  
6                   (“EPC”) and operations and maintenance (“O&M”) company headquartered in  
7                   Charlotte, North Carolina. Since its founding in 2009, NARENCO has greenfield  
8                   developed and constructed dozens of utility scale solar projects throughout the  
9                   Southeastern United States. NARENCO’s primary business model has been to sell  
10                  projects to third party owners, but it has also explored retaining project ownership  
11                  by raising debt and tax equity to fund projects.

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13          **Q.     PLEASE PROVIDE A BRIEF OVERVIEW OF NARENCO’S BUSINESS**  
14                   **AND ITS SOLAR PROJECTS IN SOUTH CAROLINA.**

15          **A.**    NARENCO is developing more than ten solar projects of varying size throughout  
16                   the State of South Carolina.

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18          **Q.     PLEASE DESCRIBE YOUR COMPANY’S NEED FOR A LONG-TERM**  
19                   **POWER PURCHASE AGREEMENT (“PPA”).**

20          **A.**    In a regulated market such as South Carolina, Qualifying Facilities (“QFs”) are  
21                   prohibited from selling power to an electric customer directly. In such a market a  
22                   QF may only sell to the regulated utility. If that utility does not offer a PPA of a

term sufficient to allow the QF an opportunity to attract capital at market rates, then the QF has no path forward and the project will not be built.

**Q. AS A PRACTICAL MATTER, DOES A QF PROJECT DEVELOPED IN SOUTH CAROLINA HAVE ACCESS TO WHOLE SALE ORGANIZED MARKETS?**

**A.** A QF is prohibited from selling power in the state of South to any customer directly. There is no market if the QF can only sell to the regulated utility.

**Q. PLEASE DESCRIBE YOUR FINANCING MODEL AND THE IMPORTANCE OF RATE/REVENUE CERTAINTY.**

**A.** NARENCO's primary business model has been to sell projects to third party owners, but it has also explored retaining project ownership by raising debt and tax equity to fund projects. The Internal Rate of Return ("IRR") on a utility scale solar facility is typically low. In order to attract capital in a competitive market where investors are seeking to maximize their risk adjusted returns, a project must demonstrate a secure source of long term revenue (i.e., a long term PPA) from a creditworthy offtaker in order for the risk adjusted IRR to be attractive to outside capital providers. Without a long-term revenue contract, the risk adjusted project IRR is prohibitively low due to the uncertainty of future revenue. In NARENCO's experience, short tenor PPA projects are unable to attract capital.

1           **Q.     IN YOUR EXPERIENCE, WHAT ARE THE EXPECTATIONS OF**  
2                   **FINANCING PARTIES WITH REGARD TO THE DURATION OF A**  
3                   **PPA?**

4           **A.**     From our conversations with numerous financing parties, a PPA term of 15 to 25  
5                   years is optimal for securing capital commitments.

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7           **Q.     PLEASE DESCRIBE YOUR HISTORY WITH DUKE IN TERMS OF PPA**  
8                   **DURATION.**

9           **A.**     NARENCO has successfully developed numerous projects in Duke's North  
10                  Carolina territory with both DEC and DEP. All those projects had 15-year PPAs.

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12          **Q.     PLEASE DISCUSS THE MINIMUM, MAXIMUM AND AVERAGE**  
13                  **DURATION OF PPAS FOR YOUR SOLAR PROJECTS IN SOUTH**  
14                  **CAROLINA.**

15          **A.**     NARENCO is currently pursuing a 10-year standard offer PPA with Duke for a  
16                  project in in South Carolina (this project is not one of the Complainant Projects)  
17                  but it has been difficult to attract financing for the project. Some investors have  
18                  passed on the opportunity altogether as a result of even the 10-year PPA. In  
19                  contrast, NARENCO-controlled projects have executed two 20-year PPAs with  
20                  SCE&G. These contracts were approved for filing by this Commission in July of  
21                  2017.

1           **Q.     WILL NARENCO BE ABLE TO SECURE FINANCING FOR A SOLAR**  
2                   **PROJECT IN SOUTH CAROLINA WITH A FIVE YEAR PPA? IF NOT,**  
3                   **WHY?**

4           **A.**    No. As evidenced by NARENCO's conversations with third party capital  
5                   providers, NARENCO has not been able to identify anyone willing to purchase a  
6                   project with a five-year PPA. And in the case where NARENCO would be the  
7                   project sponsor, NARENCO has been unable to identify any tax equity investors  
8                   who will consider an investment in utility scale solar project with a five-year  
9                   PPA.

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11           **Q.     DUKE'S ANSWER MENTIONS SOME OTHER STATES THAT HAVE**  
12                   **STANDARD-OFFER PPA'S WITH A TERM OF LESS THAN FIVE**  
13                   **YEAR. DOES THAT SHOW THAT A FIVE-YEAR PPA IS**  
14                   **FINANCEABLE?**

15           **A.**    No. The comparison Duke makes to those other markets does not tell the whole  
16                   story, as many if not most of those markets mentioned offer RFPs for QF projects  
17                   that provide up to 30 year PPAs. In Georgia Power RFP for example, developers  
18                   could make RFP PPA proposals of up to 30 years in length. In Alabama Power's  
19                   more recent RFP, it requested PPA proposals from 10 to 25 years in length.  
20                   DEC's last RFP requested PPA proposals up to 15 years. In North Carolina, the  
21                   state mandated RFP PPA term is 20 years. In South Carolina, there is no RFP  
22                   option for these projects that would allow financing via long term contracts.  
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1           **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

2           **A.     Yes.**